

Questions and Answers about the Tobacco Transition Payment Program (TTPP)

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Questions and Answers for Tobacco Quota Holders

Quota holders are the landowners of the farm where a tobacco quota was assigned. To be eligible for TTPP, quota holders are the owners of a farm with an established 2004 basic marketing quota on their farm as of October 22, 2004, the date the President signed the bill that ends the tobacco quota system.

Q1. When will sign-up begin?

A1. The sign-up period will begin on March 14, 2005, and end June 17, 2005.

Q2. When permanent quota was purchased by one person and placed on a farm owned by a different person, who is eligible for the payment?

A2. The landowner of the farm where the quota was assigned is eligible for payments. By statute, the owner of the farm where the tobacco is assigned is the tobacco quota holder.

Q3. Who is eligible for the quota holder payment if the quota holder dies?

A3. The right to receive the payment shall transfer to the surviving spouse. If there is no surviving spouse, the right to receive the payment shall transfer to the estate of the quota holder.

Q4. What proof will be required for owners who purchased a tobacco farm, or part of a farm, on or before October 22, 2004?

A4. A copy of the deed, contract for deed, will, or other documents that provide proof of legal ownership, all subject to Farm Service Agency approval.

Q5. If I purchased a farm after October 22, 2004, will I receive the quota holder payment?

A5. No. Only someone owning a farm on October 22, 2004, for which a basic marketing quota was established in the 2004 marketing year, is eligible for quota holder payments.

Q6. If a written agreement was in effect on October 22, 2004, for the purchase of all or a portion of a farm, who receives the payment?

A6. For parties that have agreed in writing as to the distribution of quota, the payment will be disbursed according to the agreement. A copy of the agreement must be provided to FSA before approval of contract.

Q7. If a written agreement was in effect on October 22, 2004, for the purchase of all of a farm, or all of a tract, but the parties have not agreed in writing as to the distribution of quota, how will the quota be divided and who will receive the payment?

A7. The quota will go with the tract having the quota and the owner of the tract will receive the payment.

Q8. If a written agreement was in effect on October 22, 2004, for the purchase of a portion of a tract and the parties have not agreed in writing as to the distribution of the quota, how will the quota be divided for payment?

A8. The quota will be divided based on cropland and the payment will be computed based on the base quota level established.

Q9. If there are three owners on a farm, and only two of the owners sign contracts, who then receives the payment?

A9. The two owners that applied by the end of the sign-up period will be paid if it is determined the share of the base quota level for each owner is equitable. The 3rd owner's share will not be paid.

Q10. If there is a life estate on a farm, who will receive payment?

A10. The person who holds the life estate will receive payment. The person with the remainder interest will not receive any portion of the payment.

Q11. Are Highly Erodible Land Conservation/Wetland Conservation and Substance Control provisions applicable to contract payment made to a quota holder?

A11. No.

Q12. For kinds of tobaccos other than flue-cured and burley, how is the yield determined to calculate the TTPP payment?

A12. Payments will be calculated using the average yield for 2001, 2002, and 2003 for that kind of tobacco in the county in which the allotment is assigned.

Q13. Can the payment be made to anyone other than the quota holder?

A13. Yes. There can be an assignment under certain conditions, and beginning with the FY 2006 payment, a successor-in-interest contract can be entered into.

Q14. Are quota holder payments subject to Payment Limitation provisions?

A14. No

Q15. If a new farm allotment or quota was established on the farm in crop year 2003 or 2004, will the quota holder be eligible for a TTPP payment?

A15. No.

Q16. Are tobacco quota farms with an existing Conservation Reserve Program (CRP) contract eligible for payment?

A16. Yes. Quota which is protected under CRP will be considered eligible pounds for the base quota level.

Q17. If an agreement for the permanent transfer of quota was in effect before October 22, 2004, and the parties have agreed to the transfer of the quota pounds on the farm, who will receive the payment?

A17. The payment will be disbursed to the owner of the farm to which the quota was to be transferred. The agreement may include, but not be limited to, FSA-375 Sale and Purchase, written contracts, written agreements, or verbal agreements as long as the transfer of quota is agreed upon in writing by all associated parties.

Q18. After a contract is signed to receive TTPP payment, is the eligibility attached to the farm or the quota holder?

A18. Eligibility remains attached with the quota holder for the duration of the contract.

Q19. Are transition payments subject to administrative offset?

A19. Yes.

Q20. Will late-filed applications be accepted?

A20. Contracts signed after the sign-up period ends and approved as late-filed, will receive future payments but will not receive past payments.

Q21. When will FY 2006 through FY 2014 payments be made each year?

A21. In January of each year.

Questions and Answers for Tobacco Producers

Producers include owners, operators, landlords, tenants, or sharecroppers who shared in the risk of producing tobacco during any of the 2002, 2003, or 2004 marketing years. Producers of quota tobacco will receive up to \$3 per pound payment based on their share of the risk in the 2002, 2003, and 2004 crops of quota tobacco.

Q1. What is Base Quota Level (BQL)?

A1. For flue-cured and burley producers, the BQL will be equal to the 2002 effective quota produced on the farm.

For tobaccos other than flue-cured and burley, a producer's BQL will be equal to the 2002 basic allotment multiplied by the farm's 3-year average yield for the years 2001, 2002 and 2003.

Q2. How are producer payments calculated?

A2. The annual payment will be calculated by multiplying the eligible producer's BQL for each farm for crop years 2002, 2003, or 2004 by \$0.10 per pound per year.

Q3. When will producer TTPP payments be made?

A3. Between June and September 2005 for FY 2005, and subsequent FY payments will be issued during the month of January.

Q4. What Farm Service Agency (FSA) records will be used to determine an individual's share in farm's BQL?

A4. Producer share information on the contract is obtained from FSA-578, Report of Acreage, for the applicable year. Producers may change the share percentages. However, all producers on the farm for the applicable year must agree with the division of quota shares, not to exceed 100 percent.

Q5. If a producer did not share in crop year 2002 but did share in crop years 2003 and 2004, is that producer eligible for payment?

A5. Yes. The producer is eligible for payment for that producer's share in the crop in 2003 and 2004.

Q6. If a producer suffered a loss due to disaster conditions in crop year 2002, 2003 or 2004, is the producer eligible for payment?

A6. Yes. A producer is eligible to be paid on the pounds that were leased away from the farm because of disaster in the applicable year.

Q7. Who is eligible for the producer payment if the producer dies?

A7. The right to receive the payment shall transfer to the surviving spouse. If there is no surviving spouse, the right to receive the payment shall transfer to the estate of the producer.

Q8. Do Payment Limitation provisions apply to producer payments?

A8. No.

Q9. Are Highly Erodible Land Conservation/Wetland Conservation and Substance control provisions applicable to contract payments made to a producer?

A9. Yes. Producers must comply each year with HELC/WC and controlled substance provisions, and any successor in interest to the contract must also comply with these provisions.

Q10. Can the payment be made to anyone other than the producer?

A10. Yes. There can be an assignment under certain conditions, and beginning with the FY 2006 payment, a successor-in-interest contract can be entered into.

Q11. If a producer grows tobacco in more than one county, will the producer have to apply for TTPP in each county?

A11. Yes.

Q12. Are TTPP producer payments subject to administrative offset?

A12. Yes.